

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Apple Valley Ranchos Water Company (U 346 W) for Authority to Increase Rates Charged for Water Service by \$2,748,100 or 18.56% in 2006, \$496,580 or 2.69% in 2007, and \$1,075,879 or 5.46% in 2008.

Application 05-02-005
(Filed February 1, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING
APPLICANT TO SERVE ADDITIONAL TESTIMONY**

1. Background

On February 1, 2005, Apple Valley Ranchos Water Company (Apple Valley or applicant) filed Application (A.) 05-02-005, a general rate case, pursuant to Decision (D.) 04-06-018 that adopted a rate case plan for Class A water companies such as Apple Valley. Apple Valley is a wholly-owned subsidiary of Park Water Company.¹ Apple Valley requests that rates for Test Year 2006 increase by \$2,748,100, or 18.56% and, indicates that subsequently, its rates are expected to increase in Escalation Years 2007 and 2008 by an estimated \$496,580 (2.69%) and Commission's rate case plan.

On March 22, 2005, a prehearing conference was held to determine parties, identify issues, consider the schedule, and address other matters as necessary to

¹ See: *Apple Valley Ranchos Water Company – Main Office/Cost of Capital Report – Test Year 2006*, p. 1. This report was served with A.05-02-005.

proceed with this application. On March 29, 2005 the Assigned Commissioner and Administrative Law Judge (ALJ) issued the scoping memo and adopted a schedule for this proceeding.

2. Low-Income Customer Program

Based on applicant's statement of proposed issues² in the application, Office of Ratepayer Advocates' (ORA) Protest, plus parties' statements at the prehearing conference, the issues identified in the scoping memo included³:

“(g) Determine Apple Valley’s compliance with applicable Commission decisions, including but not limited to D.04-06-018, D.03-08-069, and other decisions generally applicable to water utilities, or specifically to Apple Valley and its affiliates. Specifically, the proceeding will examine Apple Valley’s:

- (2) Analysis of viability for a low-income rate assistance program.

Based on Applicant's representations at the prehearing conference, the testimony served in this proceeding does not address consideration of a low-income customer program. Apple Valley asserts that its analysis is contained in the work papers provided to ORA, and that it does not propose to offer a low-income program.⁴ This analysis was required by the Commission as a part of this proceeding.⁵

² (See Rules 6.3.)

³ See: *Scoping Memo*, p. 4.

⁴ Transcript, March 22, 2005 Prehearing Conference, pp. 17-18. ALJ Summary of an off-record discussion.

⁵ D.03-08-069, p. 44, and Ordering Paragraph 5: “AVR (Apple Valley) shall gather demographic information about its customers for the purpose of determining the feasibility of offering reduced rate programs for its low-income customers and include those results and a recommendation for a low-income program in its next general rate

Footnote continued on next page

At this time there is no testimony proposed by Apple Valley for inclusion in the record that would respond to the Commission's order. Apple Valley must prepare and serve additional testimony that fully explains its response to Ordering Paragraph 5 in D.03-08-069, so that the Commission may determine whether such a low-income program is reasonable and in the public interest for customers of Apple Valley.

Apple Valley may include any materials already in the work papers, but it must also ensure that the additional testimony on a low-income program fully includes the results of its feasibility analysis and a full and complete explanation of its recommendation. Apple Valley shall serve the additional testimony no later than May 1, 2005. Interested parties shall include any low-income program testimony with any other testimony already scheduled for service on May 18, 2005.

3. Cost of Capital

In the exhibit preliminarily identified as Ex. 2, *Apple Valley Ranchos Water Company, Main Office/Cost of Capital Report, Test Year 2006*, Apple Valley addresses its request for a return on equity of 11.0%.⁶ Additional information not included in Ex. 2 must be provided in the form of additional testimony and tables, as appropriate, to further explain and justify this request. As necessary, the testimony shall explain whether the responses are applicable directly to Apple Valley or to Park Water which are then attributable to Apple Valley for ratemaking purposes.

case (GRC). If AVR determines that such a program is not feasible, it shall explain why."

⁶ Ex. 2, p. 12.

- (a) For 1999 through 2004 provide a table and any necessary explanation to show the actual year-end capital structure and a comparison to the authorized capital structure.
- (b) For 1999 through 2004 provide a table and any necessary explanation to show Apple Valley's actual return on equity compared to the authorized return on equity.
- (c.) For 1999 through 2004 provide a table and any necessary explanation to show Apple Valley's actual cost of debt compared to the adopted ratemaking forecast for each year.
- (d.) For the long-term debt described at pages 26-29 (Ex. 2) provide the citation to Commission authority relied on by Apple Valley/Park Water that authorized private placement of debt.
- (e) provide a complete copy of the most recent audited financial statements for Apple Valley, and as necessary, Park Water, including all financial disclosures and accountant's opinion.

IT IS RULED that:

1. Apple Valley Ranchos Water Company (Apple Valley) did not include testimony in Application 05-02-005 in response to Ordering Paragraph 5 in Decision 03-08-069. Therefore, Apple Valley shall prepare additional testimony and serve copies no later than May 1, 2005 in conformance with the recently modified Rule 2.3 *Service*, and the new Rule 2.3.1 *Service by Electronic Mail*.

2. Apple Valley shall provide supplemental cost of capital testimony and financial data as described herein, no later than May 1, 2005.

3. Apple Valley shall also serve two (2) paper copies on the assigned Administrative Law Judge and one (1) paper copy on the Commission's Water Division.

Dated April 7, 2005, at San Francisco, California.

/s/ Douglas M. Long
Douglas M. Long
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail, to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Directing Applicant to Serve Additional Testimony on all parties of record in this proceeding or their attorneys of record.

Dated April 7, 2005, at San Francisco, California.

/s/ Antonina V. Swansen
Antonina V. Swansen

N O T I C E

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